

Message Text

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PAGE 01 BUDAPE 03167 151343Z

43

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SUBJ: HUNGARIAN VISIT OF GERMAN ECON MINISTER

VIENNA FOR EWTC

1. SUMMARY: WEST GERMAN ECONOMIC MINISTER FRIDERICS CONCLUDED 4-DAY VISIT TO HUNGARY NOV 19 WITH MOST VISIBLE RESULTS OF MEETING BEING CONCLUSION OF 10-YEAR AGREEMENT ON COOPERATION VENTURES AND ESTABLISHMENT OF NEW HUNGARIAN-GERMAN JOINT COMMISSION TO ENCOURAGE SUCH VENTURES. DURING STAY IN HUNGARY FRIDERICS CALLED ON PRIME MINISTER FOCK, FOREIGN MINISTER PUJA, AND FINANCE MINISTER FALUVEGI IN ADDITION TO MINISTER OF FOREIGN TRADE BIRO. IN DISCUSSIONS WITH GERMANS, HUNGARIANS PLACED PARTICULAR EMPHASIS ON NEED FOR WESTERN CREDITS AND BIRO STATED THAT, IF POSSIBLE, HUNGARY WOULD LIKE TO BORROW 3.5 BILLION DOLLARS DURING NEXT 5-YEAR PLAN. END SUMMARY

2. MOST VISIBLE RESULTS OF FRIDERICS' VISIT TO BUDAPEST HAS BEEN CONCLUSION OF 10-YEAR AGREEMENT CONCERNING COOPERATION VENTURES AND ESTABLISHMENT OF JOINT COMMISSION
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PAGE 02 BUDAPE 03167 151343Z

TO HELP PROMOTE MORE INDUSTRIAL COOPERATION. GERMAN ECON

COUNSELOR STATES THAT BOTH THESE AGREEMENTS ALMOST EXCLUSIVELY COSMETIC AND IN DISCUSSIONS WITH HUNGARIANS, GERMANS EMPHASIZED REPEATEDLY FACT THAT ANY SUBSTANTIVE AGREEMENT ON TRADE WOULD HAVE TO GO THROUGH EEC. AGREEMENT ON COOPERATION ESSENTIALLY RENEWAL OF A PREVIOUS ACCORD, WHOSE ONLY TANGIBLE ADVANTAGE TO HUNGARIANS IS AN EXEMPTION FROM GERMAN QUOTA LIMITATIONS FOR PRODUCTS MANUFACTURED IN HUNGARY AND EXPORTED TO GERMANY UNDER COOPERATION AGREEMENTS, A PROVISION WHICH PARTICULARLY BENEFICIAL TO HUNGARIAN READY-MADE CLOTHING INDUSTRY. NEW MIXED COMMISSION WHICH CREATED IN RESPONSE TO STRONG HUNGARIAN INSISTENCE, IS UNLIKELY TO HAVE ANY SIGNIFICANT FUNCTION.

3. HUNGARIANS GAVE FRIDERICS RED CARPET TREATMENT AND ARRANGED MEETINGS WITH FINANCE MINISTER FALUVEGI, FOREIGN MINISTER PUJA, AND PRIME MINISTER FOCK IN ADDITION TO SESSIONS WITH FOREIGN TRADE MINISTER BIRO. MEETINGS WITH FOCK, PUJA AND FALUVEGI WERE ESSENTIALLY PROTOCOL SESSIONS AND THOSE SUBSTANTIVE MATTERS DISCUSSED WERE TAKEN UP WITH BIRO. BIRO MADE TYPICAL STRONG APPROACH ON CREDIT QUESTION, SAYING THAT HUNGARY BADLY NEEDS HARD CURRENCY CREDITS FOR FUTURE DEVELOPMENT PROJECTS AND WOULD BE INTERESTED IN BORROWING UP TO 3.5 BILLION DOLLARS DURING THE NEXT 5-YEAR PLAN, ALTHOUGH HE QUICKLY ADDED THT IT IS POSSIBLE WE MAY ONLY BE ABLE TO GET 1.5 BILLION." FRIDERICS RESPONDED TO BIRO'S PUSH FOR CREDITS BY POINTING OUT THAT FRG HAS NO GOVERNMENT CREDIT PROGRAM AND THAT ANY CREDITS FROM GERMAN SOURCES WOULD HAVE TO BE OBTAINED PRIVATELY. ANOTHER ITEM DISCUSSED WAS HUNGARY'S SIZABLE TRADE DEFICIT TO WEST GERMANY WHICH WILL TOTAL ABOUT 200 MILLION DOLLARS IN 1974 ON A TOTAL BILATERAL TRADE TURNOVER OF ONE BILLION. WHILE FRG DELEGATION EXPRESSED HOPE THAT NEW COOPERATION VENTURES MIGHT HELP HUNGARY TO REDUCE THIS DEFICIT, THERE WAS NO AGREEMENT ON CONCRETE STEPS TO BE TAKEN.

4. COMMENT: WHILE FRIDERICS' VISIT TO BUDAPEST WAS CORDIAL AND REPRESENTS ANOTHER STEP OCITYLDOAD TO IMPROVED OFFICIAL RELATIONS BETWEEN THE GOH AND FRG, LITTLE OF LIMITED OFFICIAL USE

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PAGE 03 BUDAPE 03167 151343Z

CONCRETE NATURE APPEARS TO HAVE EMERGED. BIRO'S CONCERN WITH QUESTION OF FUTURE FINANCING REFLECTION OF FACT THAT THIS TOPIC WEIGHING HEAVILY ON ECONOMIC OFFICIALS' MINDS THESE DAYS, PARTICULARLY IN VIEW OF SIZABLE HARD CURRENCY TRADE DEFICIT, PROSPECTS OF CONTINUED HIGH PRICES FOR OIL AND OTHER RAW MATERIAL IMPORTS, AND THE EXPENDITURE OF LARGE AMOUNTS OF BUDGETARY FUNDS TO SHIELD THE DOMESTIC ECONOMY FROM THE IMPACT OF WESTERN INFLATION. DURING

HIS UPCOMING WASHINGTON VISIT, BIRO CAN BE EXPECTED TO
PURSUE THE QUESTION OF FUTURE CREDITS AT LEAST AS
VIGOROUSLY AS HE DID WITH THE WEST GERMANS.
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